



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 13th day of January, 2004

Essential air service at

**ALAMOSA, COLORADO
CORTEZ, COLORADO
PUEBLO, COLORADO**

under 49 U.S.C. 41731 *et seq.*

Served: January 16, 2004

**Docket OST-1997-2960
Docket OST-1998-3508
Docket OST-1999-6589**

ORDER REQUESTING PROPOSALS

Summary

By this order, the Department is requesting proposals from carriers interested in providing essential air service at the three Colorado communities listed above for a future two-year period, with or without subsidy. (See Appendix A for a map of the service area.)

Background

By Order 2000-5-17, May 12, 2000, the Department selected Great Lakes Aviation, Ltd., to provide subsidized essential air service at Alamosa. By Order 2000-12-26, December 28, 2000, the Department selected Great Lakes Aviation, Ltd., to provide subsidized essential air service at Cortez. By Order 2000-7-16, July 11, 2000, the Department selected Great Lakes Aviation, Ltd., to provide subsidized essential air service at Pueblo.

By Order 2002-7-34, July 26, 2002, the Department requested proposals from air carriers interested in providing essential air service at Alamosa, Cortez, and Pueblo. The Department received proposals from Great Lakes Aviation, Mesa Air Group, and Scenic Airlines, Inc.

Request for Proposals

As indicated above, the Department has already issued orders requesting proposals from carriers interested in serving these communities. As discussed in detail below, we have recently streamlined our procedures in response to a more competitive essential air service environment. Because we are not close to concluding all of the subsidy rate negotiations, we find that this is a case that merits being processed in one comprehensive case under our new, streamlined carrier selection procedures.

Carriers interested in filing proposals, with or without subsidy requests, should file them within 30 days of the date of service of this order. At the end of that period, our staff will docket the

proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Shortly afterwards, we will provide a summary of the proposals to the communities and ask them to submit their final comments. We will give full consideration to all proposals that are timely filed.¹

New Procedures

In the past, we have accepted *initial* carrier proposals, reviewed them, and then negotiated *final* proposals with each applicant before formally presenting the proposals to the communities and asking for their final comments. We found that a two-step process was generally necessary because, in most cases, the incumbent carrier was the only one interested. As a result, we were unable to rely on competition to discipline carrier subsidy requests, and communities had to wait on a protracted selection process. More recently, however, we have noticed that most orders requesting essential air service proposals have drawn interest from at least two carriers, and sometimes more. Under the circumstances, we expect that competition among multiple carriers will ensure reasonable subsidy requests, obviate the need for rate negotiations, and allow us to streamline the carrier selection process.

Consequently, interested carriers should prepare their proposals with every expectation that their initial proposals will also be their *final* and *only* proposals.² We retain the discretion to further negotiate proposals with carriers when we deem it desirable; in such cases, of course, we will give all applicants the same opportunity. For example, we anticipate that we will continue to negotiate rates in cases where there is only a single interested carrier, as is typically the situation in Alaska. We also retain the discretion to reject outright all unreasonable or unrealistic proposals and resolicit a new round of proposals. However, we anticipate that negotiation or rejection will remain only occasional exceptions to the rule.

We are here providing interested carriers with some basic information to serve as guidance when they prepare their proposals, but we will not prescribe a precise format for their proposals. We expect proposals to adequately describe the service being proposed and the annual amount of subsidy being requested. The applicants can make their own judgments as to the level of detail they wish to present; however, they might want to include proposed schedules as well as supporting data for their subsidy requests, such as projected block hours, revenues and expenses. We strongly encourage clear, well-documented proposals that will facilitate their evaluation by the affected communities and the Department. We do not anticipate any change in our selection criteria, or in the general provisions governing subsidy payments for essential air service.³

¹ In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not proceed with the carrier-selection case. Instead, we simply rely on that carrier's subsidy-free service as proposed.

² For this reason, we will allow carriers 30 days to submit their proposals, rather than just 20 as in the past. Because the new procedures anticipate that a carrier's first proposal will also be its final proposal, we expect to enforce our filing deadlines more stringently than in the past. Carriers should not expect the Department to accept late filings. The additional 10 days will comfortably accommodate the additional time carriers may find necessary to prepare their proposals.

³ In selecting a carrier to provide subsidized essential air service, 49 U.S.C. 41733(c)(1) directs us to consider four factors: (1) service reliability; (2) contractual and marketing arrangements with a larger carrier at the hub; (3) interline arrangements with a larger carrier at the hub; and (4) community views. In addition, we have always given weight to the applicants' relative subsidy requirements.

With respect to the specific Colorado markets at issue here, we expect proposals consisting of service, at a minimum, with two-pilot, twin-engine aircraft with at least 15 passenger seats, and offering a minimum of two or three round trips a week from the essential air service community to a suitable hub. Such service is generally consistent with what the communities currently receive. We encourage proposals that meet those requirements in an efficient manner. Carriers are also welcome to propose more than one service option, if they choose; they need not limit themselves to those requirements if they envision other, potentially more attractive service possibilities—different hubs, for example—with subsidy requirements that remain competitive.

Service and Traffic History

Great Lakes has served all of these communities since 1998. During the year ended March 31, 2003, the most recent 12-month period for which traffic data are available, Alamosa averaged 12.5 enplanements a day, Cortez 19.0, and Pueblo 5.8 . These figures represent declines of 18 to 52 percent from levels registered during calendar year 2000, prior to the terrorist attacks of September 11.⁴

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.⁵ Consequently, all carriers receiving Federal subsidy for essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. Because the Department is prohibited from paying subsidy to carriers that do not submit these documents, all carriers that plan to submit proposals involving subsidy should be aware that the selected carrier will be expected to complete the required certifications. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053.⁶

Community and State Comments

The communities and state are welcome to submit comments on the proposals at any time. As noted earlier, however, we will provide a summary of the proposals to the civic parties and ask them to submit their final comments shortly after the end of the 30-day period for carrier proposals.

⁴ See Appendix B for historical traffic data. Enplanements represent one-half of total origin-and-destination traffic, and average enplanements per day are based on 313 weekdays and weekends a year, except as noted.

⁵ The regulations applicable to these areas are: (1) 49 CFR Part 20 -- New restrictions on lobbying; (2) 49 CFR Part 21 -- Nondiscrimination in federally-assisted programs of the Department of Transportation -- Effectuation of title VI of the Civil Rights Act of 1964; 49 CFR Part 27 -- Nondiscrimination on the basis of disability in programs and activities receiving or benefiting from Federal financial assistance; and 14 CFR Part 382 -- Nondiscrimination on the basis of disability in air travel; and (3) 49 CFR Part 29 -- Government-wide debarment and suspension (non-procurement) and government-wide requirements for drug-free workplace (grants).

⁶ The certifications are also available on the web at <http://ostpxweb.dot.gov/aviation/index.html>.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. We request that carriers interested in providing essential air service at Alamosa, Cortez, and Pueblo, Colorado, submit their proposals, with or without subsidy requests, no later than 30 days after the date of service of this order. The proposals should be sent to the EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street S.W., Washington, DC 20590, with the title "Proposal to Provide Essential Air Service at [the community or communities at issue]," with the docket number corresponding to each community as shown on the first page of this order;⁷
2. These dockets will remain open until further order of the Department; and
3. We will serve copies of this order on the mayors and airport managers of Alamosa, Cortez, and Pueblo, Colorado; the Director, Division of Aeronautics, Colorado Department of Transportation, Air Midwest, Inc., d/b/a US Airways Express; Great Lakes Aviation, Ltd., Scenic Airlines, Inc., and the persons listed in Appendix C.

By:

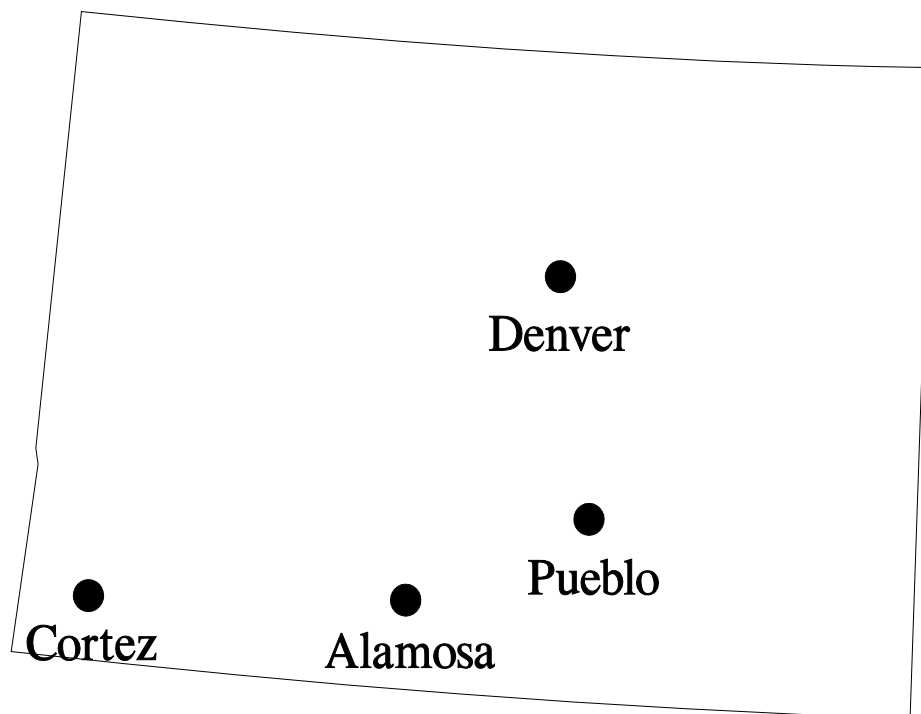
KARAN K. BHATIA
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available
on the World Wide Web at <http://dms.dot.gov>*

⁷ Questions regarding filings in response to this order may be directed to Luther Dietrich at (202) 366-1046.

AREA MAP



Essential Air Service at Alamosa, Colorado
Historical Origin-Destination Passenger Traffic (both directions)^{1 2}

Four quarters ended	<u>ALS-DEN</u>	<u>ALS-PUB</u>	All ALS markets other than DEN or PUB	Total all ALS markets
12/31/1988	17,475	10	0	17,485
12/31/1989	16,146	0	0	16,146
12/31/1990	16,819	0	0	16,819
12/31/1991	14,667	374	0	15,041
12/31/1992	13,913	650	0	14,563
12/31/1993	15,507	406	0	15,913
12/31/1994	12,865	366	0	13,231
12/31/1995	4,717	3,149	8	7,874
12/31/1996	6,778	1,130	2	7,910
12/31/1997	3,034	2,433	48	5,515
12/31/1998	9,652	83	458	10,193
12/31/1999	8,540	68	168	8,776
12/31/2000	9,497	3	122	9,622
12/31/2001	8,357	0	99	8,456
12/31/2002	7,764	0	36	7,800
3/31/2003	7,836	1	17	7,854

¹ Source: U.S. Department of Transportation, Bureau of Transportation Statistics (BTS), Form 298-C, Schedule T-1, and Form T-100 for traffic reported by Rocky Mountain Airways, Mesa Airlines, and Great Lakes Aviation.

² Detailed data for Alamosa-Pueblo are presented because Pueblo was frequently served as an intermediate point between Alamosa and Denver. The preponderance of other non-Pueblo and non-Denver passengers connected to other online points at Denver.

Essential Air Service at Alamosa, Colorado
Average Daily Passenger Enplanements Computed from
Historical Origin-Destination Passenger Traffic

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ³	<u>Average annual enplanements</u> ⁴	<u>Average Enplanements per service day</u> ⁵
12/31/1988	17,485	8,742	27.8
12/31/1989	16,146	8,073	25.8
12/31/1990	16,819	8,410	26.9
12/31/1991	15,041	7,520	24.0
12/31/1992	14,563	7,282	23.2
12/31/1993	15,913	7,956	25.4
12/31/1994	13,231	6,616	21.1
12/31/1995	7,874	3,937	12.6
12/31/1996	7,910	3,955	12.6
12/31/1997	5,515	2,758	8.8
12/31/1998	10,193	5,096	16.3
12/31/1999	8,776	4,388	14.0
12/31/2000	9,622	4,811	15.3
12/31/2001	8,456	4,228	13.5
12/31/2002	7,800	3,900	12.5
3/31/2003	7,854	3,927	12.5

³ See page (1) of this Appendix.

⁴ Origin-destination passengers divided by two.

⁵ Average annual enplanements divided by 313 effective annual service days, except for the annual periods ended 12/31/1988, 12/31/1992, 12/31/1996, and 12/31/2000 (314 effective annual service days).

Essential Air Service at Cortez, Colorado
Historical Origin-Destination Passenger Traffic (both directions) ^{6 7}

Four quarters ended	<u>CEZ-DEN</u>	<u>CEZ-FMN</u>	All CEZ markets other than DEN or FMN	Total all CEZ markets
12/31/1988	8,340	0	229	8,569
12/31/1989	8,522	635	114	9,271
12/31/1990	8,520	1,466	2	9,988
12/31/1991	11,780	699	7	12,486
12/31/1992	14,238	665	1	14,904
12/31/1993	16,127	646	0	16,773
12/31/1994	16,718	772	20	17,510
12/31/1995	17,534	4,191	23	21,748
12/31/1996	16,204	1,213	7	17,424
12/31/1997	17,333	1,843	1,799	20,975
12/31/1998	20,701	1,261	1,027	22,989
12/31/1999	15,620	5	263	15,888
12/31/2000	17,861	4	293	18,158
12/31/2001	16,409	7	174	16,590
12/31/2002	12,415	5	74	12,494
3/31/2003	11,876	4	43	11,923

⁶ Source: U.S. Department of Transportation, Bureau of Transportation Statistics (BTS), Form 298-C, Schedule T-1, and Form T-100 for traffic reported by GP Express Airlines and Great Lakes Aviation.

⁷ Detailed data for Cortez-Farmington are presented because Farmington was frequently served as an upline point on Denver-Cortez-Farmington routings. The preponderance of other non-Farmington and non-Denver passengers connected to other online points at Denver.

Essential Air Service at Cortez
Average Daily Passenger Enplanements Computed from
Historical Origin-Destination Passenger Traffic

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ⁸	<u>Average annual enplanements</u> ⁹	<u>Average Enplanements per service day</u> ¹⁰
12/31/1988	8,569	4,284	13.6
12/31/1989	9,271	4,636	14.8
12/31/1990	9,988	4,994	16.0
12/31/1991	12,486	6,243	19.9
12/31/1992	14,904	7,452	23.7
12/31/1993	16,773	8,386	26.8
12/31/1994	17,510	8,755	28.0
12/31/1995	21,748	10,874	34.7
12/31/1996	17,424	8,712	27.8
12/31/1997	20,975	10,488	33.5
12/31/1998	22,989	11,494	36.7
12/31/1999	15,888	7,944	25.4
12/31/2000	18,158	9,079	28.9
12/31/2001	16,590	8,295	26.5
12/31/2002	12,494	6,247	20.0
3/31/2003	11,923	5,962	19.0

⁸ See page (3) of this Appendix.

⁹ Origin-destination passengers divided by two.

¹⁰ Average annual enplanements divided by 313 effective annual service days, except for the annual periods ended 12/31/1988, 12/31/1992, 12/31/1996, and 12/31/2000 (314 effective annual service days).

Essential Air Service at Pueblo, Colorado
Historical Origin-Destination Passenger Traffic (both directions) ¹¹ ¹²

<u>Four quarters ended</u>	<u>PUB-DEN</u>	<u>PUB-ALS</u>	<u>All PUB markets other than Den or ALS</u>	<u>Total all PUB markets</u>
12/31/1988	30,077	10	2	30,089
12/31/1989	33,558	0	16	33,574
12/31/1990	38,538	0	102	38,640
12/31/1991	48,534	374	0	48,908
12/31/1992	55,676	650	31	56,357
12/31/1993	54,789	406	0	55,195
12/31/1994	31,085	366	132	31,583
12/31/1995	23,401	3,149	0	26,550
12/31/1996	14,630	1,130	0	15,760
12/31/1997	13,126	2,433	117	15,676
12/31/1998	6,545	83	128	6,756
12/31/1999	8,563	68	197	8,828
12/31/2000	7,338	3	193	7,534
12/31/2001	4,317	0	187	4,504
12/31/2002	3,726	0	101	3,827
3/31/2003	3,572	1	39	3,612

¹¹ Source: U.S. Department of Transportation, Bureau of Transportation Statistics (BTS), Form 298-C, Schedule T-1, and Form T-100 for traffic reported by Midcontinent/Braniff Express, GP Express Airlines, and Great Lakes Aviation.

¹² Detailed data for Pueblo-Alamosa are presented because Alamosa was frequently served as an upline point Denver-Pueblo-Alamosa routings. The preponderance of other non-Alamosa and non-Denver passengers connected to other online points at Denver.

Essential Air Service at Pueblo, Colorado
Average Daily Passenger Enplanements Computed from
Historical Origin-Destination Passenger Traffic

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ¹³	<u>Average annual enplanements</u> ¹⁴	<u>Average Enplanements per service day</u> ¹⁵
12/31/1988	30,089	15,044	47.9
12/31/1989	33,574	16,787	53.6
12/31/1990	38,640	19,320	61.7
12/31/1991	48,908	24,454	78.1
12/31/1992	56,357	28,178	89.7
12/31/1993	55,195	27,598	88.2
12/31/1994	31,583	15,792	50.5
12/31/1995	26,550	13,275	42.4
12/31/1996	15,760	7,880	25.1
12/31/1997	15,676	7,838	25.0
12/31/1998	6,756	3,378	10.8
12/31/1999	8,828	4,414	14.1
12/31/2000	7,534	3,767	12.0
12/31/2001	4,504	2,252	7.2
12/31/2002	3,827	1,914	6.1
3/31/2003	3,612	1,806	5.8

¹³ See page (5) of this Appendix.

¹⁴ Origin-destination passengers divided by two.

¹⁵ Average annual enplanements divided by 313 effective annual service days, except for the annual periods ended 12/31/1988, 12/31/1992, 12/31/1996, and 12/31/2000 (314 effective annual service days).

Service List for the State of Colorado

Air Transport, Inc.
Alpine Air Express
Alpine Aviation, Inc.
Amerijet International, Inc.
Arizona Pacific Airlines, Inc.
Aviation Services West, Inc.
Barken International, Inc.
Corporate Airlines, Inc.
Delta Connection
Mesa Airlines, Inc.
Midwest Express Airlines, Inc.
Pennsylvania Commuter Airlines, Inc.
Rio Grande Air
Rocky Mountain Helicopters, Inc.
SkyWest Airlines, Inc.
Westward Airways, Inc.
Wings West Airlines, Inc.

Chuck Aune
Ken Bannon
Rick Bauer
Doug Franklin
E.B. Freeman
Ben Harrison
A. Edward Jenner
Keith Kahle
Bob Karns
Colleen O'Day
Gene Mallette
Alan W. Markham
Lee Mason
Tim Woldridge